INVESTOR Whisperer

ILLUSTRATION: THOMAS FUCHS

When **SOHAIB ABBASI** became CEO of Informatica, Wall Street forecasted "dark days ahead." By the end of his tenure the company's share price had grown 800 percent. He tells Brunswick's **STEPHANIE WAKEFIELD** about the delicate dance of building trust with Wall Street.

LESS THAN FIVE MONTHS AFTER JOINING THE board of software company Informatica, Sohaib Abbasi was asked by the lead independent director if he'd ever consider serving as its CEO. Thinking the question was hypothetical, Mr. Abbasi said yes. Two days later, the question changed—and became very real: Could he step in as the CEO on the following Monday?

On his second day as CEO, Mr. Abbasi led the company's earnings call, where he had to deliver disappointing financial results. Mr. Abbasi still recalls his response to a few analysts: "That's a very good question. I'll have to get back to you." After the July 2004 call, an analyst report was published forecasting "Dark Days Ahead" for the company. Yet under Mr. Abbasi's leadership, annual revenue grew over fivefold in a decade, exceeding $1 billion, and its share price rose by more than 800 percent.

Today, Informatica works with 85 of the Fortune 100 businesses, but is no longer publicly traded. In 2015, it was acquired by private equity firm Permira and Canada Pension Plan Investment Board.

On the day of the acquisition, Mr. Abbasi stepped down from his role as CEO. However, he remains active both as an advisor and board member. He serves as senior advisor at private equity titan TPG and sits on the Executive Council at Balderton, a UK venture capital firm. He served as a director at the software company Red Hat from 2011 until its recent acquisition by IBM for $34 billion. Mr. Abbasi still serves as a board member at several companies, including cyber-security software company, McAfee.

None of those boards have asked Mr. Abbasi to step in as CEO—at least not yet.

"I am on the list of 'if the CEO were to be run over by a bus, who are the people to call?'" Mr. Abbasi joked with Brunswick's Stephanie Wakefield. "But I'm making sure that no bus comes anywhere close to them."

Lots of leaders talk about values—integrity, especially—but struggle to hold those around them to that standard and make sure it's part of the corporate culture. How did you go about it?
Well, it starts with accountability and transparency. For accountability, we defined the top corporate objectives shortly after I joined Informatica. To measure our progress, we defined specific metrics. And to hold ourselves accountable every quarter, we presented a scorecard to all the employees: How did we perform against the top corporate objectives using these metrics?

For transparency, our explanation of our performance was always the same to our board, to our investors and to our employees. The earnings script to our investors was the same as the quarterly update note to our employees.

You were recognized several times for your work with investors by Institutional Investor, the American Business Awards and Bloomberg. What should CEOs and CFOs keep in mind as they are navigating choppy waters—say their stock price is down—and communicating with investors?
Communicating effectively with investors comes down to one factor: trust.

We earned the trust of the investors by consistently delivering on our promises for seven years. We met or beat quarterly financial guidance for more than 30 quarters. We grew revenues, on average, by 20 percent every year from 2004 to 2011. And we increased our operating margin between 100 and 300 basis points every year.

However, by continuing to set ever-increasing targets, I made a mistake. In 2012, we set the profitability target too high and we were unable to invest for growth.

In retrospect, we aimed too high and set investor expectations too high. Instead of meeting expectations, we missed expectations for two consecutive quarters. An analyst report concluded that Informatica's products were not as relevant in the new, emerging world of big data. Investors were not satisfied by our explanation. It seemed that, in two quarters, we lost much of the credibility that we had earned over seven years.

Over that period, the stock price dropped by more than 40 percent.

Then came the true test: How do we navigate these choppy waters and how do we turn these skeptics into believers in the Informatica growth potential once again?

To win back trust of investors, one-time explanations alone wouldn't work. We had to communicate more frequently with our investors and regularly report on our progress. To earn their trust, we had to deliver sustained results. By consistently meeting their expectations over the next six quarters, we were fortunate to win back much of the trust of the investors.

> "IT SEEMED THAT, IN TWO QUARTERS, WE LOST MUCH OF THE CREDIBILITY WE HAD EARNED OVER SEVEN YEARS. OVER THAT PERIOD, THE STOCK PRICE DROPPED BY MORE THAN 40 PERCENT."

Was there ever any part of you that worried that the analysts were right?
I knew what had caused the shortfall. I had made a mistake. I even acknowledged it to the analysts. But the analysts remained skeptical. In fact, one said, "You guys are too good to have made such a stupid mistake." And I said, "Trust me. I'm capable of making stupid mistakes."

I learned the hard way: When you make a mistake, the entire focus must be to correct it. Only by consistently delivering on your promises will you win back the trust and credibility.

Do you feel that certain moments, or lessons, shaped you as a leader?
My parents invested much of their savings and income for my college education in the US. So I felt an obligation to live up to their expectations and to do my best to not let them down. This principle also guided me in leadership roles. I felt an obligation to live up to the expectations of the team and do my

best, help formulate a differentiated strategy to win and empower the team to deliver the results.

Another formative experience was during my 20-year tenure at Oracle, starting in 1982. It was a remarkable time. Oracle was doubling in size every single year. And it was profitable every single quarter. The aggressive sales targets put a great deal of pressure on the team. Some took shortcuts, booked sales orders without the necessary paperwork. Oracle paid a very heavy price in 1990. It almost did not have enough cash to pay employees. Oracle learned the hard way: You have to prudently balance short-term gain and long-term sustainability; set attainable short-term stretch goals and plan for high-quality, long-term success.

As an executive, CEO, investor, director, you've been involved—at early stages—in several of Silicon Valley's success stories. What's the hardest part about scaling a business?

Scaling a business comes down to two considerations. First, how do you motivate each employee by showing that everyone matters for the success of the business? Second, how do you align all the team members toward a common goal and around a shared purpose?

To show that everyone mattered, we would tie the goals of each department to the corporate objectives. As an example, one of the corporate objectives was to attain technology leadership. The goals of the product department outlined innovations that were critical to attain technology leadership. These goals were cascaded to the next level. Each individual's contributions were tied to the department's goals. Each individual mattered for us to deliver on our corporate objectives.

This planning process showed how everyone mattered for the company's success. Everyone could take personal pride in the company's success. Every quarter, we recognized employees whose contributions led to the company's success. We did this for employees in all departments—sales, marketing, finance, legal and product development. Everyone mattered for the company's success.

We also highlighted how teamwork across departments was critical for the company's success. As an example, one of the corporate objectives was hitting quarterly sales target. The sales department cascaded this corporate objective to set goals for each of the regional groups in Europe, Asia and Americas. The marketing department signed up for demand-generation targets associated with each of these sales regions. The message was clear: Everyone was in it together. Informatica would win only by everyone working together.

This planning process helped people realize they depended on each other. Each department needed every other department for its own success and the success of the company. Working together, we had a better chance to achieve the corporate objectives.

COMMUNICATING EFFECTIVELY WITH INVESTORS COMES DOWN TO ONE FACTOR: TRUST

Some CEOs are vocal on political issues that are unrelated or only tangential to their business. What role do you think CEOs should play in politics and social issues?

As a CEO, my top priorities were to the primary constituents of the company: employees, customers, partners, investors and the communities of employees. Help employees achieve their career aspirations. Deliver business value to customers and partners. Reward our investors for their trust. And, finally, contribute to social initiatives for our employees' communities.

Meeting the expectations of these constituencies took priority over any consideration.

Some political and social issues directly affect the business; some others do not.

A CEO, of course, is responsible to tackle issues that affect the business—the immigration of skilled workers for technology companies, for example, or trade policies for retail companies.

In contrast, a CEO is not expected to tackle issues that do not affect the business. A question to ask is: Is this a personal priority or is it a business priority? As a CEO, I thought this distinction was important.

I preferred decisions informed by business perspective rather than by personal views alone. In my opinion, a CEO cannot afford to compromise on her or his primary responsibility, which is to live up to the expectations of the primary constituents of the company. Everything else, in my opinion, is a distant second priority.

So you're not tweeting about hot-button issues?

I've tweeted once: on the day I left Informatica. It was my tribute to the Informatica team. That was the only time.

I appreciate that everyone has her or his own style of communication. There is no right or wrong way. However, if a CEO is too prolific a communicator on hot-button issues, I wonder about the implications.

In my view, a CEO often motivates, and sometimes urges, employees to do the best they can. A CEO can lead by example by always choosing company matters over hot-button issues. The company and the team must come first. ◆

STEPHANIE WAKEFIELD is a Senior Advisor in Brunswick's San Francisco office. She has twice been recognized as Investor Relations Executive of the Year.